

## Adopt California Code of Regulations

### Title 4, Division 12. California Educational Facilities Authority (CEFA)

#### Chapter 3. Qualified Scholarship Funding Corporations

##### Section 9071. Purpose.

Before applying to the California Debt Limit Allocation Committee for allocation of a portion of the state ceiling pursuant to Government Code section 8869.85, an entity that is seeking to issue qualified scholarship funding bonds must first obtain approval from the California Educational Facilities Authority, unless such entity became a qualified scholarship funding corporation prior to January 1, 2006.

Note: Authority cited: Section 94140, Education Code. Reference: Section 94103, Education Code; Section 8869.85, Government Code.

##### Section 9072. Definitions

In addition to the definitions set forth in Section 9020, the following definitions shall govern the construction of this chapter:

(a) “Applicant” means a student loan entity seeking to issue qualified scholarship funding bonds.

(b) “Qualified Scholarship Funding Bond” is a bond issued by a corporation that is: (1) a not-for-profit corporation established and operated exclusively for the purpose of acquiring student loans incurred under the Higher Education Act of 1965, and (2) organized at the request of a state or political subdivision of the state.

(c) “State Ceiling” means the amount specified by Section 146(d) of the Internal Revenue Code and as determined by the California Debt Limit Allocation Committee for each calendar year.

(d) “Student Loan” means a loan made, insured, or guaranteed under the federal Higher Education Act of 1965 set forth in Sections 1070 through 1089 of Title 20 of the United States Code.

Note: Authority cited: Section 94140, Education Code. Reference: Section 94103, Education Code; Section 8869.85, Government Code.

##### Section 9073. Factors to Be Considered by the Authority

(a) An Applicant must, at a minimum, meet the following criteria prior to applying for allocation of the state ceiling:

(1) The Applicant must be a not-for-profit established under California law and operated exclusively for the purpose of acquiring student loan notes incurred under the Higher Education Act of 1965.

(2) The Applicant must conduct and be authorized to conduct business in California.

(3) The Applicant's principle place of business or one of its branch offices must be located in California.

(4) As stated in the Applicant's articles of incorporation and bylaws, the Applicant must be formed for the purpose of promoting access to post-secondary education for California residents and must devote its income, including any surplus income, to the acquisition of additional student loans.

(b) When determining whether to grant approval to an Applicant that has met the criteria in subdivision (a), the Authority shall consider all of the Applicant's attributes and qualifications including but not limited to:

(1) Whether the members of the Applicant's board of directors have sufficient experience, credentials and qualifications in the student loan industry.

(2) Whether the Applicant's chief executive officer and chief financial officer have sufficient experience, credentials and qualifications in the student loan industry.

(3) Whether the Applicant has a reasonable business and/or strategic plan.

(4) Whether the Applicant has a reasonable marketing and/or outreach plan.

(5) Whether the Applicant can demonstrate that it has sufficient staff and a sustainable organizational structure to undertake the issuance and/or acquisition of student loans in California.

(6) Whether the Applicant can demonstrate the ability to deliver high quality services to the students in California.

(7) If the Applicant is seeking bond financing for the purpose of originating student loans, whether the entity or its parent corporation has sufficient experience in originating student loans.

(8) If the Applicant is seeking bond financing for the purpose of purchasing student loans in the secondary market, whether the entity or its parent corporation has sufficient experience in purchasing student loans in the secondary market.

(9) Whether the Applicant or its parent corporation has experienced an increase in student loan volume and asset base in the previous three years.

(10) Whether the Applicant or its parent corporation has a demonstrated track record of offering high-quality, competitive and comprehensive loan products.

(11) Whether the Applicant or any of its officers, employees or affiliates has been the subject of any administrative, civil or criminal enforcement action brought by a federal, state, or local governmental agency.

Note: Authority cited: Section 94140, Education Code. Reference: Section 94103, Education Code; Section 8869.85, Government Code.

#### Section 9074. Information to Be Submitted by the Applicant to the Authority

An Applicant must submit the following information to the Authority to assist the Authority in making a determination:

##### (a) Organizational Information.

(1) An overview of the Applicant, including ownership structure and all related entities.

(2) A description of the present student loan activity and past student loan experiences of the Applicant or its parent corporation.

(3) The Applicant's articles of incorporation and bylaws.

(4) Audited financial statements for each of the last three fiscal years.

(5) A completed copy of a legal status questionnaire, which can be obtained by the Authority upon request.

(6) A resume for each board member and each member of key personnel, including but not limited to the chief executive officer and the chief financial officer, which must include relevant work experience, academic qualifications, and proposed responsibilities.

(7) A description of partnerships with public or private organizations that would assist the entity in promoting access to post-secondary education for California residents.

##### (b) Presence in California.

(1) A description of the Applicant's current business activities or operations being conducted in California.

(2) A description of the Applicant's business plan.

(3) The volume of student loans the Applicant anticipates making or purchasing as a result of receiving tax-exempt bond financing.

(4) The criteria, standards, terms and conditions anticipated for the programs and services to be provided by the Applicant.

(5) A description of where and how the organization would originate, service and/or purchase student loans.

(c) Any additional information requested by Authority staff that is related to the criteria listed in Section 9073.

Note: Authority cited: Section 94140, Education Code. Reference: Section 94103, Education Code; Section 8869.85, Government Code.